

**FISCAL NOTE  
PUBLIC COST**

- I. Department Title: Department of Agriculture  
Division Title: Missouri Agricultural and Small Business Development Authority  
Chapter Title: Missouri Dairy Revitalization Program**

<b>Rule Number and Name:</b>	2 CSR 100-11.010 Dairy Producer Margin Insurance Premium Assistance Program
<b>Type of Rulemaking:</b>	Proposed Rule

**II. SUMMARY OF FISCAL IMPACT**

Affected Agency or Political Subdivision	Estimated Cost of Compliance in the Aggregate
MO Department of Agriculture (MDA)	\$2,820,000 to \$16,647,860 over five (5) years

**III. WORKSHEET**

**\$564,000 in the first year and \$564,000 for the next year.**

According to actual enrollment numbers for the Calendar Year 2015 Margin Protection Program (MPP-Dairy), provided by the Missouri State FSA Office, 494 producers have enrolled at a coverage level requiring an annual premium payment. (Enrollment at the “catastrophic” level of \$4.00 per cwt (hundredweight) does not require a premium payment for coverage.) Total premiums paid to FSA by these 494 producers equal \$805,395.25.

Therefore, actual total reimbursements due to eligible producers in FY 16 under the Dairy Producer Margin Insurance Premium Assistance Program is: \$563,776.68. ( $\$805,395.25 \times 70\% = \$563,776.68$ ) MDA assumes similar enrollment for calendar year 2016 and thus similar payment exposure for FY 17.

**IV. ASSUMPTIONS**

Officials from the Department of Agriculture (MDA) assume that operational cost of the program will be covered by application fees. If not, MASBDA has requested \$20,000 for expenses to administer the Dairy Producer Margin Insurance Premium Assistance Program and Dairy Scholars Program.

MDA assumes current staffing would be able to handle any additional workload from this provision.

MDA assumes the continued operation of dairies in Missouri will have a positive impact on revenues generated for the program and there will be adequate revenue from the sale of dairy products as defined in Section 196.525 and 196.931, RSMo. According to the *Missouri Dairy Industry Revitalization Study* completed in January, 2015 by the University of Missouri Extension Commercial Agriculture Program, adjusting the overall industry economic output by the RPC (regional purchasing coefficient), the economic output effect of one dairy cow in Missouri was \$14,464 in 2013.

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MDA assumes Dairy Margin Insurance Program Reimbursement costs would be \$564,000 for Fiscal Year 2016, based on actual enrollment in the federal Margin Protection Program –Dairy for Calendar Year 2015. ( $\$805,395.25 \times 70\%$  reimbursement rate = \$563,776.68)

However, maximum annual reimbursement throughout the next five years could reach \$3,329,572.

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Depending on nationwide milk prices and margins, which trigger insurance payments under the federal Margin Protection Program, and partial premium reimbursements under the Dairy Margin Insurance Program, enrollment in both programs could increase, with producers choosing higher coverage levels in the federal program. MDA has provided the following formula as a basis for program costs at \$8.00 margin, the highest level of coverage, with maximum estimated producer enrollment:

MDA assumes maximum program costs are based on the following criteria (Actual milk production may vary year to year based on factors such as weather and milk prices. 2014 production is used here for convenience).

- 2014 Missouri Milk production totaled 13,830,000 cwt , up 2.5% from 2013
- 75% of the milk produced comes from herds producing less than 4 million lbs.
- 25% of the milk produced comes from herds producing more than 4 million lbs.

- Less than 4 million lbs of milk, the premium is \$0.475/cwt at \$8.00 margin.

- More than 4 million lbs of milk, the premium is \$1.36/cwt at \$8.00 margin.

- 80% of Missouri dairies will participate in the program.

$13,830,000 \text{ cwt} \times 75\% \times 90\% \times (\$0.475 \times 70\%) \$3325 + (13,830,000 \times 25\% \times 90\% \times (\$1.36 \text{ maximum reimbursement})) = \$4,161,966 \times 80\% \text{ participation} = \$3,329,572$

The University of Missouri (MU) is tasked annually under HB 259 to estimate the sales tax revenue generated in the state from the sales of dairy products during the proceeding fiscal year by October 1. The data available for the 52 week period ending April 19, 2015 (most recent available at this time), it is estimated that a total of \$14,354,653 in Missouri dairy sales tax revenue was generated for FY 2015. HB 259 stipulates that no more than 40 percent of dairy sales tax revenue in the previous fiscal year can be appropriated to fund the dairy revitalization bill, suggesting an effective cap of \$5,741,861 for FY 2016 appropriations, well above the cost of \$564,000 based on actual 2015 enrollment in the federal Margin Protection Program Dairy (MPP-Dairy). The complete MU report is available at

<http://amap.missouri.edu/images/research/MODySalesTax2015.pdf> .